

OF ALCOHOL, APES, AND TAXES: GÜNTER SCHMÖLDERS AND THE REINVENTION OF ECONOMICS IN BEHAVIORAL TERMS

BY
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The article examines an early and idiosyncratic version of behavioral economics or “empirical socio-economics,” which the German economist and taxation expert Günter Schmolders developed in the postwar decades. Relying on both his published papers and his lecture notes and correspondence, it scrutinizes Schmolders’s intellectual upbringing in the tradition of the Historical School of Economics (Historische Schule der Nationalökonomie) and his relation to the emerging ordoliberalism, demonstrating that the roads that led to dissatisfaction with the emerging neoclassical mainstream and the unrealistic behavioral assumptions of macroeconomic models were manifold. Accordingly, it shows that behavioral economics is compatible with various intellectual and political backgrounds and convictions. Yet, it still forms a distinct entity: comparing Schmolders with contemporary and later behavioral economists, I will show that they shared essential methodological assumptions as well as an understanding of human beings as decision-making organisms.

I. INTRODUCTION

Having been elected president of the University of Cologne in 1965, the German economist and taxation expert Günter Schmolders dedicated his inaugural speech to his favorite topic: the theory and methodology of “economics as a social science.” When Schmolders’s former students edited a volume of his most important writings to celebrate his seventieth birthday in 1973, they placed this lecture on *Volkswirtschaftslehre als Sozialwissenschaft* first, as it contained a comprehensive statement of his research program (Schmolders 1965; Schmolders et al. 1973). In analyzing consumers, entrepreneurs, savers, or workers, Schmolders argued, economists essentially dealt with the same object as sociologists and social psychologists, namely “human behavior” (Schmolders 1965, p. 10). Thus, economists could not claim exclusive knowledge of the

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realm of economic behavior. Rather, they should seek interdisciplinary exchanges with the “ABC” of the other disciplines ranging from “anthropology, biology, characterology ... to zoology, which had replaced the older notion of ‘animal psychology’ with ‘ethology’ (*Verhaltensforschung*)” (Schmölders 1965, pp. 24–25). Schmölders suggested that, together with experts from sociology, social psychology, ethnic psychology (*Völkerpsychologie*), cultural anthropology, criminology, psychiatry, and political science, economists should develop a “comprehensive theory of behavior or action.” Explicitly, he named the behavioral science movement in the USA as a model for such an endeavor (Schmölders 1965, pp. 24–25).

At first sight, Schmölders’s programmatic speech may look like a case of intellectual Americanization: a German economist translating the behavioral revolution that occurred in the 1950s and 1960s in the United States into his own country and discipline (Pooley 2016, pp. 38–81). This would be interesting in itself, as the development of German academic economics after 1945 is generally thought to have lagged behind the anglophone world. In the United States, however, mainstream economists picked up behavioral economics only in the 1970s and 1980s, while its protagonists like George Katona or those around the Cowles Commission remained marginal figures at first (Hesse 2010; Pooley and Solovey 2010; Klaes and Sent 2005). Yet, the story is more complicated than that. Schmölders had developed his conception of “social-economic behavioral research” simultaneously with, but largely independently of, the debates on economic behavior on the other side of the Atlantic. In 1953, he had already published his first theoretical paper on “economic behavioral research” and, in 1958, he founded a Research Center for Empirical Socio-Economics (*Forschungsstelle für empirische Sozialökonomik*) in Cologne (Schmölders 1953, pp. 203–244). By 1963, he could look back at an impressive total of thirty-two monographs, larger research reports, dissertations, and theses that followed his behavioral research paradigm (Schmölders 1963, pp. 259–273).

Schmölders’s early and idiosyncratic version of socio-economic behavioral research is absent from recent accounts of the emergence and history of behavioral economics, because few of his writings were translated into English and most of these translations appeared only after behavioral economics had already taken off with the school following Daniel Kahneman and Amos Tversky in the 1970s and 1980s (Heukelom 2014; Sent 2004). Though largely forgotten today, Günter Schmölders was a prominent economist of the early decades of the Federal Republic of Germany. Alongside the returning emigré Fritz Neumark, Schmölders was one of the country’s leading finance and taxation experts (Nützenadel 2005, pp. 735–760). From 1950 until his retirement in 1973, Schmölders directed the Financial Research Institute at the University of Cologne and in the 1960s served as the university’s president. Moreover, from 1949 to 1972 he functioned as an expert on the Scientific Advisory Board of the German Federal Ministry of Finance. As a founding father of the Federation of German Tax Payers and a member of its directorate from 1951 to 1991, Schmölders was also a vocal public intellectual. At the invitation of Friedrich A. von Hayek, Schmölders joined the neoliberal Mont Pèlerin Society and became the society’s president in 1968, organizing its meeting on the “Entrepreneur in Modern Economy and Society” in Munich in 1970.

Relying on both his published papers as well as his lecture notes and correspondence, I will ask how Günter Schmölders arrived at his call for a reinvention of economics in behavioral terms. Scrutinizing its intellectual origins from Weimar Germany to the

Federal Republic may fill an obscure lacuna in the (pre)history of behavioral economics but is not intended to form a “precursor argument” suggesting that Schmölders discovered first what others realized only later. This would be meaningless, as Schmölders exerted no traceable influence on the later rise of behavioral economics. Analyzing Schmölders’s intellectual upbringing in the tradition of the Historical School of Economics (Historische Schule der Nationalökonomie) and his relation to the emerging ordoliberalism,¹ which led him to his idiosyncratic version of behavioral economics, rather demonstrates that the roads that led to dissatisfaction with the emerging neoclassical mainstream and the unrealistic behavioral assumptions of macroeconomic models were manifold. Accordingly, it shows that behavioral economics is compatible with various intellectual and political backgrounds and convictions. Yet, it still forms a distinct entity: comparing Schmölders with contemporary and later behavioral economists, I will show that they shared essential methodological assumptions as well as a common understanding of human rationality and subjectivity. The latter characterize behavioral approaches to the social world in general.

Largely setting aside Schmölders’s work as a political advisor, his interventions as a public intellectual, and his work during National Socialism, which I have dealt with elsewhere (Graf 2020), I will proceed as follows. The next two sections scrutinize the historical emergence and formation of Schmölders’s research program in behavioral economics. First, I will sketch Schmölders’s early work on alcohol and taxation, which formed the basis for his later approach to socio-economic behavioral research. Second, I will scrutinize the research program that he developed in the early Federal Republic, tracing its intellectual influences and, in particular, asking how he conceptualized human beings. Third, I will offer a more systematic comparison between Schmölders’s behavioral economics and other contemporary as well as later versions, trying to elaborate common elements of a behavioral understanding of human beings as decision-making organisms.

II. ALCOHOL, TAXES, AND MORALITY

Günter Schmölders was born in 1903, as the son of a lawyer and civil servant, and grew up in Berlin-Wilmersdorf and Stade, where he graduated from a humanistic *Gymnasium* in 1921. He studied law and political economy (*Staatswissenschaften*) in Berlin and Tübingen, receiving his diploma as an economist (*Volkswirt*) from the Friedrich-Wilhelms-University in Berlin in 1924. Even before graduating from high school, Schmölders had traveled extensively in Scandinavia; he now resumed his travels with a scholarly interest, writing a doctoral dissertation on the “state fight against alcoholism in the Nordic countries,” which he completed in 1926 (Schmölders 1926b, pp. 88–89). His adviser was Heinrich Herkner, who had followed Gustav Schmoller, the towering father of the Younger Historical School of Economics, not only as a professor in Berlin

¹ Here, I use both labels as intellectual shortcuts, which I will elaborate throughout the paper. While schools of economic thought may be helpful scholarly artifacts, they often preclude the understanding of the ambiguities and contingencies of individual intellectual developments and outlooks. Examining Günter Schmölders, I will focus on traceable individual influences, largely refraining from broader labels or the construction of schools.

in 1912 but also as head of the *Verein für Socialpolitik* in 1917. In this context Schmölders's dissertation topic was less obscure than it may appear today, as the association of German economists and sociologists sought to find non-Marxist solutions to the "social question," emphasizing the historical uniqueness of economic developments, which should be scrutinized in their legal, institutional, moral, and psychological settings. Moreover, alcohol abuse was widely considered a major social ill that had to be overcome in order to better the fate of the "masses." In 1922, Herkner publicly distanced himself from Schmoller, however, formally ending the exclusive dominance of the Younger Historical School, whose influence nevertheless remained strong and continued into the Federal Republic (Köster 2011). In his own studies on social policy, Herkner emphasized the limits of political interventions, arguing that they had to acknowledge and not disturb the living conditions of the economic system. Schmölders's second advisor was Ladislaus von Bortkiewicz (1868–1931), who had started his career as an economist but then became an influential statistician focusing on insurance mathematics and population statistics, abstaining from direct policy advice (Gehrke and Kurz 2016). Thus, Schmölders came of age academically when the Historical School was already losing ground (Köster 2011, p. 31). Yet, he still shared some of its basic assumptions, viewing economics as an empirical endeavor scrutinizing variations of economic exchange in time and space in order to offer policy advice.

In his dissertation, Schmölders examined three different state systems to curb alcohol consumption: the Swedish system of sales controls, designed by Ivan Bratt, under which only individuals deemed trustworthy were allowed to buy a certain amount of alcohol; the Norwegian ban on the sale of spirits; and complete prohibition in Finland. According to Schmölders, only the costly and complex Bratt system succeeded in reducing alcohol consumption, while partial and full prohibition failed (Schmölders 1926a). Even worse, they had negative side effects, encouraging smuggling, undermining obedience to the law, and abolishing a potential source of state revenue. In Schmölders's view, alcohol consumption did not increase crime rates, but, rather, both derived from the same "primary root cause," namely, a "general inferiority of the individual" (Schmölders 1928, pp. 265–272).

Planning a habilitation thesis, Schmölders traveled to the United States in order to examine prohibition, which he described as a "massive sociological experiment" to eradicate habits, "which are deeply rooted in the whole humanity" (Schmölders 1930b, p. v). Schmölders argued that US prohibition laws did not substantially reduce alcohol abuse and that, even worse, their unwanted harmful side effects were significant. Prohibition engendered the private production of qualitatively inferior alcoholic beverages, encouraged smuggling and crime, and generally undermined state authority (Schmölders 1930a, pp. 207–211). In his analysis, Schmölders explained both the emergence and failure of prohibition in terms of an "ethnic psychology," showing his general openness to crossing the borders of economics, sociology, and psychology, at a time when these were only about to become fixated. According to Schmölders, fear of the drunken Native American as well as the drunken slave had engendered calls for prohibition. Three centuries of ethnic mixing, Schmölders claimed, had produced an American "national character" (*Volkstypus*) that was emotionally and volitionally more homogenous than the "racially pure peoples of Europe" (Schmölders 1930b, p. 1). Banning alcohol was a means for these Americans to distance themselves from new immigrants (1930b, p. 34). Yet Prohibition failed because its—above all Protestant

puritan—advocates had neglected the cultural history of alcohol consumption, which was “ineradicably rooted in the consumption habits of the population” (Schmölders 1932a, p. iv). Lecturing at the Society for the History of Beer Brewing in 1933, Schmölders explained the failure of prohibition in terms of the “resurgence of ancient instincts and the needs of the whole of white humankind” (Schmölders 1934, pp. 7–8). According to him, climate, race, and “irrational emotional ties like tradition” turned alcohol into an “inelastic demand” (1934, p. 12). Economists and politicians had to account for the inelasticity of alcohol consumption, while attempts to change it were doomed to fail.

In his dissertation, Schmölders had contradicted Herkner, who was in favor of state interventions to curb alcohol consumption. Hence, it is not surprising that Herkner rejected Schmölders’s suggestion to write a habilitation thesis on US prohibition (Schmölders 1988). Therefore, Schmölders shifted his research slightly, focusing on the taxation of alcoholic beverages, having contact also with the taxation expert and secretary of state Johannes Popitz, who taught as an honorary professor at his university (Schmölders 1932a, p. 5). Comparing taxation systems in Germany, France, Great Britain, Sweden, Denmark, and the United States, Schmölders rejected attempts to use taxes for non-fiscal—in this case socio-political or, as we might say, biopolitical—goals (Schmölders 1932a, pp. 2–3). In general, he considered the use of taxes for purposes of behavior change as self-contradictory because reaching the non-fiscal goal undermined the fiscal effect. For his inaugural lecture on January 15, 1932, Schmölders generalized his findings, formulating a theory of taxation. Coining the notion of *Steuermoral* (taxpayer morality or taxpayers’ attitude toward paying tax), Schmölders proposed that people’s moral attitudes toward taxation differed from their more general morality and the common moral law (Schmölders 1932b, pp. 4–5). In order to implement effective taxation regimes, it was therefore necessary to examine people’s attitudes towards taxes and their resulting behavior. According to Schmölders, there was a “law of rising tax resistance” that might result in a vicious circle: higher taxes undermined people’s willingness to pay and fueled attempts to avoid paying taxes (1932b, p. 8). As this would in turn reduce state revenues, the government was tempted to increase taxes, which would only intensify the behavior in question. Despite describing tax evasion as a “treason against the *Volksgemeinschaft* [people’s community],” Schmölders suggested that taxation behavior could not be improved by moral imperatives but only by systems that took people’s natural behavioral patterns into account (1932b, p. 11).

During the Third Reich Schmölders’s academic career took off. He became a professor of political economy at Breslau and in 1940 succeeded Erwin von Beckerath as *professor ordinarius* at the University of Cologne. He joined the NSDAP (National Socialist German Workers Party) and several National Socialist academic associations as well as (temporarily) the SS (*Schutzstaffel*), eagerly offering his expertise on taxation and finance but also in the field of regional/spatial economics to the new regime.² Joining Jens Jessen’s class at the Academy for German Law during the war, Schmölders came into closer contact with the Freiburg circle of economists around Walter Eucken. In

² For a more detailed analysis of Schmölders’s relation to National Socialism, see Graf (2020), drawing on: Hoover Institution, Stanford CA, Schmölders (Günter) papers 1940–1985, 85017 [hereafter: Hoover Institution, Schmölders papers], Box-folders 21–23. As examples of Schmölders’s commitment, see Schmölders (1937, 1940, 1941).

retrospect, Schmölders conceptualized his work as an advisor on price policy as acts of resistance and emphasized his connection to the oppositional *Kreisauer Kreis*. Yet, historically, he offered his expertise to improve National Socialist economic policy rather than to undermine it (Ptak 2004, pp. 61–62). Nevertheless, Schmölders was able to resume his professorship in Cologne soon after the end of the Second World War and became head of the university's Financial Research Institute (Hesse 2010, pp. 166–171). Financial economics was deeply rooted in the étatist tradition of German economics and had a strong position in academia, forming a basic pillar of the academic education of German economists (Hesse 2010, p. 56). Even after the war and to a greater extent than economics in general, the field was still dominated by the Historical School's rejection of generalized theories. The focus on historical institutions, systems of taxation, and financial administration eroded only in the 1960s with the intellectual import of modern fiscal theory from the anglophone world (Nützenadel 2005, pp. 81–88; Hesse 2010). Whereas Fritz Neumark actively fostered this trend, Schmölders, more conservatively, adhered to tradition (Neumark 1963–64, pp. 355–359).

Before the economization of financial economics, taxation and budget policy were separate fields. Schmölders mainly concentrated on taxation, advising the Federal Republic's Ministry of Finance on matters of tax reform (Middendorf 2017, pp. 281–311). Yet his research interests went deeper, aiming at a more general theory of financial behavior. In his numerous publications for both lay and expert audiences, Schmölders emphasized repeatedly that any successful taxation policy had to reflect its “psychological conditions” and avoid measures that “contradicted human nature” (Schmölders 1951–52, p. 8; Schmölders 1951). At his institute, he conducted international comparisons on taxation systems and revenue generation in order to determine the principles of human nature. The general thrust of these studies was that the use of taxation to generate behavior change was not very effective, if not doomed to fail. As Schmölders explained in the first paper he presented at a meeting of the Mont Pèlerin Society in 1953, taxation was “by no means a simple element of some ‘macroeconomic’ mathematical function, but a relatively complex phenomenon belonging to the comparatively untrodden realm of human behavior.”³ Against macroeconomic modeling and the neoclassical synthesis, he demanded empirical investigations in microeconomics. For example, he wanted to determine the psychological “breaking point” at which tax levels would necessarily lead to tax resistance and tax evasion (Schmölders 1951–52).

As a public intellectual, Schmölders grew increasingly frustrated with the Keynesian mainstream's advocacy of the use of taxes for macroeconomic policy goals and the stimulation of certain types of behavior. In his view, the “tendency to use taxes as a means of influencing behavior” degraded citizens from economic subjects and sources of income to “potential carriers of politically desired types of behavior” using “taxes as commands” (Schmölders 1968, p. 137). This position derived from a strong conservatism and a distrust of emancipatory projects that intensified during the political upheavals of the late 1960s (Schmölders 1968, p. 138). Throughout the social-liberal reform era and the 1970s, Schmölders continued to criticize the “childish dreams of the people's benefactors” because they allegedly failed to recognize basic economic and

³ G. Schmölders: Progressive Taxation Reconsidered, Mont Pelerin Conference, Seelsberg, September 7–12, 1953, Hoover Institution, Schmölders papers, Box-folder 178.

psychological realities (Schmölders 1983, p. 9). In particular, he criticized Keynesianism as a macroeconomic theory based on careless psychological generalizations of “everyday experiences” with “impressionistic concepts” (Schmölders 1956). Instead of using “eclectic psychologisms” and vague notions such as “liquidity preference,” “saving propensity,” or “propensity to consume,” Schmölders suggested that economists should sincerely engage with state-of-the-art psychological research and take the full spectrum of emotional attitudes and psychological motivations into account (Schmölders 1951–52, p. 2). This microanalysis of economic behavior would not only lead to more conservative politics, limiting the scope of political interventions, the interdisciplinary exchange would also usher in a “fundamentally new anthropological understanding of human behavior” (Schmölders 1956, p. 11). What did that mean for Schmölders? How did he elaborate this demand both theoretically and empirically?

III. EMPIRICAL SOCIO-ECONOMICS—APES AND SURVEYS

Studies of alcohol and taxation—broadened into a financial psychology—were the starting point for Schmölders’s call to reform economics and turn it into an interdisciplinary science of human behavior. Starting with his first programmatic paper on “Economic Behavioral Research” in 1953, he published numerous introductory essays, textbooks, and status reports advocating a behavioral approach to economics as an alternative to both Keynesianism and the mathematization of the emerging neoclassical mainstream. At the University of Cologne he conducted large-scale research projects at his Research Center for Empirical Socio-Economics and integrated his version of economics as a science of behavior into the core curriculum of economics and sociology. From 1955 onwards, he regularly gave introductory lectures and seminars on “socio-economic behavior research” as well as more specialized lectures on financial psychology (Schmölders 1963, pp. 268–269). For a colloquium on “Economic Theory as a Theory of Behavior” in 1978, celebrating his seventy-fifth birthday, Schmölders invited more than fifty former students who had been through his program, many of whom had reached positions in academia and beyond.⁴

Despite his success as an academic teacher, political advisor, and public intellectual, Schmölders’s relationship to the changing field of academic economics was distant and difficult. Most of the work conducted at his Cologne institute rather fell in the area of empirical social research, anyway. In collaboration with German public survey institutes, such as Allensbach and Emnid, he and his colleagues examined people’s economic and, above all, financial behavior, scrutinizing, for example, their attitudes towards saving (Schmölders 1962b). The studies mostly dealt with the Federal Republic of Germany but also concerned the economic psychology of different “peoples” in order to guide developmental policy (Schmölders 1964). Moreover, Schmölders examined the public image of the entrepreneur, as he deemed the cultural importance of entrepreneurial values essential for the development of capitalism.⁵ Some studies were directly

⁴ Arbeitstagung “Wirtschaftstheorie als Verhaltenstheorie,” *Wirtschaftstheorie*, 19.9.1978, Hoover Institution, Schmölders papers, Box-folder 90-1.

⁵ Hoover Institution, Schmölders papers, Box-folders 65-18/19 and 103.

sponsored by the state, such as a comparison of the satisfaction levels of higher state and private employees.⁶ Schmolders's attempt to launch a series of business cycle and consumption climate reports, however, was unsuccessful, as they could not compete with the influential reports issued by the Munich ifo-Institute. In general, Schmolders's studies established allegedly natural patterns of economic behavior in order to guide and, essentially, limit state intervention (Graf 2020).

Initially, however, Schmolders's aim had been more ambitious, amounting to nothing less than a reformulation of economics as a discipline in behavioral terms. Against what he described as the academic seclusion of neoclassical economics with its overly simplistic and empirically unfounded assumption of a *homo economicus*, Schmolders wanted to draw on insights from the Historical School, which had been "closer to real life" by integrating findings from other disciplines into economic analysis (Schmolders 1957, pp. 44–46). Having examined the irrationality of people's financial behavior, Schmolders thought that the rationality assumption in general was invalid (Schmolders 1960, p. 9). He rejected the understanding of humans as "mechanistically reacting beings with an inflexible volitional structure" as well as the "primitive hedonism" that pervaded many economic theories, arguing that both views had long been refuted by modern psychology.⁷ By contrast, he suggested to investigate the principles of economic behavior empirically in order to produce a sound basis for economic theory and policy advice.

Due to their collaboration under National Socialism and because he shared their general political outlook, Schmolders had a close affinity to German ordoliberalism and particularly admired Walter Eucken and Wilhelm Röpke. In line with Eucken and others, he maintained that the state was responsible to uphold the market order, as this was the superior organization of economic life, but like Röpke he also assumed that its functioning depended on cultural and institutional factors, which the market itself could not guarantee (Biebricher 2018, pp. 38–49). As the principles of human behavior constituted these factors, Schmolders framed his approach as an empirical foundation for ordoliberalism. Accordingly, he published his first programmatic article in *Ordo*, the journal that gave the movement its name. Yet, its editors Fritz W. Meyer and Hans Otto Lenel explicitly distanced themselves from his article in their editorial without giving any reasons for doing so (Schriftleitung 1953). The reasons for the ordoliberal skepticism concerning economic behavioral research become apparent in Erwin von Beckerath's review of Schmolders's textbook on financial policy (*Finanzpolitik*). In his view, the conservative Schmolders underestimated the need for an active fiscal policy under the then existing economic conditions (von Beckerath 1958–59, pp. 292–302). Even worse, Schmolders turned the treatment of finance into a question of financial psychology and thereby endangered the authority of professional economists as advisors on matters of public finance. Von Beckerath feared that economists would have "to use the results from a difficult and highly controversial field of knowledge without possessing sufficient expertise to evaluate them" (von Beckerath 1958–59, p. 301). Even though von Beckerath agreed that it was necessary to account for the irrational aspects of financial behavior, he saw no need to call for a "rejuvenation of theoretical

⁶ Hoover Institution, Schmolders papers, Box-folder 17-3/4.

⁷ Schmolders (1953, p. 218); Vorlesung "Ökonomische Verhaltensforschung," 1955–56, Hoover Institution, Schmolders papers, Box-folder 69-24.

economics in the spirit of psychology and deep psychology” (von Beckerath 1958–59, p. 302). When Schmölders presented his position to a group of psychologists and economists in Munich in 1961, he encountered similar skepticism from the economists. In a long reply to Schmölders, even the eighty-four-year-old advocate of a liberal market order Adolf Weber argued that, while economic actors in their historical individuality might entertain various motives, the market forced rationality upon them because “economic success” was determined not by “subjective behavior” but by “objective facts” (Schmölders 1962a, p. 77).

Schmölders appeared not to be frustrated by the skeptical reception of his approach. Presenting a status report, again in *Ordo*, Schmölders argued that his theory bridged the gap between economic theory and practice, thereby following Walter Eucken’s demand that human beings and their “economic behavior had to be understood in their specific intellectual, natural, and political environment.”⁸ Yet, whereas Eucken had argued that “economic behavior was both constant and changeable” but emphasized that “homo sapiens acted everywhere and always according to the economic principle” (Eucken 1940, pp. 210–211), Schmölders focused on change and denied that there was such a principle. Thus, he returned to the more relativist position of the Historical School, which he signified by using the term “socio-economics” (*Sozialökonomik*) again, a notion usually employed by his academic teachers (Herkner, Altmann, Albrecht, and Bücher 1923). Moreover, he rejected the “mathematical abstractions and hypothetical logicisms” that neoclassical economists produced in their “ivory towers” because they separated economic knowledge from other disciplines (Schmölders 1953, p. 204; 1978, p. 8). Later in his life, when even in Germany the neoclassical synthesis and mathematical formalization had become dominant, his words became harsher: he criticized the “degeneration of economic theory into an aseptic intellectual game of highest abstraction” (Schmölders 1978, p. 9). Due to this double opposition, Schmölders’s Research Center on Empirical Socio-Economics remained rather isolated. As Fritz Neumark pointed out sarcastically, in the 1970s Schmölders apparently did not engage with the newer literature anymore but mostly quoted the studies he and his students had produced in Cologne (Neumark 1972, pp. 513–515).

In order to flesh out the core elements of Schmölders’s research program, it is useful to analyze its development in academic teaching. In his 1955–56 lecture “Economic Behavior Research,” he tried to convince his students of the need to integrate psychological insights into economics, quoting Walter Adolf Jöhr. According to the Swiss economist, who had been controversial for his anti-Semitic and pro-Fascist utterances, various mental phenomena influenced economic behavior: “the farmer’s love for his occupation, the editor’s feeling of cultural responsibility, the businessman’s piety, the libido involved in hiring a secretary, motor mania, the employee’s loyalty, the trust chief’s greed for power, the craftsman’s pride, the obligation to an older bookkeeper, tradition in choosing an occupation, protection, revenge, representation of status.”⁹ From this starting point, Schmölders developed the need for a systematic analysis of economic behavior, which he now called “anthropological economics,” by referring to

⁸ Schmölders (1963, p. 260); the reference to Eucken is also explicit in Vorlesung “Ökonomische Verhaltensforschung,” 1955–56, Hoover Institution, Schmölders papers, Box-folder 69-24.

⁹ Vorlesung “Ökonomische Verhaltensforschung,” 1955–56, Hoover Institution, Schmölders papers, Box-folder 69-24.

former and contemporary, mostly German, economists. Above all, he presented studies on the ethics of different economic systems that had been conducted by the towering heroes of German economics and sociology, Max Weber and Werner Sombart, as well as by the ordoliberal godfathers of the liberal market economy, Walter Eucken and Alfred Müller-Armack, as precursors of his own research agenda. Subsequently, he dedicated individual lectures to the examination of phenomena such as the quest for power, fear, the role of institutions, or the behavior of consumers and entrepreneurs.¹⁰

Apparently, Schmölders was not yet fully acquainted with the simultaneous theoretical developments in the United States, quoting only a few, mostly earlier, English authors. He knew, however, of George Katona, who conducted pioneering survey studies on consumer behavior at the University of Michigan (Schmölders 1953). The connection between Schmölders and Katona became closer when one of Schmölders's students went to the US to study with Katona. Returning to Cologne, Burkhard Strümpel acquired his PhD and habilitation in the 1960s, working on the relations among tradition, attitudes, norms, behavior, and economic development (Strümpel 1964). When Schmölders presented his research agenda at an interdisciplinary research forum in the German State of North Rhine-Westphalia in 1957, he explicitly referred to the research on behavior that was "on the march" in the United States, pointing to the Ford Foundation's funding program and the establishment of the Center for Advanced Study in the Behavioral Sciences at Stanford (Schmölders 1957, p. 40; Berelson 1968). In Germany, however, there was nothing comparable with the behavioral revolution in the US, even though the Deutsche Forschungsgemeinschaft (DFG) founded a priority program for "Economic Behavior Research" from 1958 to 1960.¹¹ Fourteen other economists besides Schmölders received funding from the short-lived program, among them Herbert Giersch, Heinz Sauermann, and Theodor Wessels, yet it failed to establish a common research hub and their methods differed widely. Picking up American trends, using mathematical models, and introducing experimental economics in Germany, Sauermann, for example, did not even refer to Schmölders in his two-volume introduction to economics (Sauermann 1964).

While founding his Research Center on Empirical Socio-Economics in Cologne, Schmölders apparently reworked the foundations of his research agenda. At least, in the winter term of 1959–60 his lecture on "socio-economic behavior research" was much more systematic. Schmölders started by locating the discipline methodologically in the academic landscape and developing its "idea of man."¹² In the subsequent weeks, he gave three lectures each on consumer behavior, savings behavior, and workers' behavior, as well as lectures on monetary behavior and the consequences of behavioral research for economic policy and theory. Explaining the methodology of behavioral research, Schmölders drew on popular animal ethologists such as Konrad Lorenz, Nikolaas Tinbergen, and Desmond Morris. Following the ethological model, and

¹⁰ Vorlesung "Ökonomische Verhaltensforschung," 1955–56, Hoover Institution, Schmölders papers, Box-folder 69-24.

¹¹ In these years the DFG spent close to 800.000 DM on research projects concerning economic behavior at various universities. Considering the overall funding, this was only a small sum but quite substantial in the field of economics. See DFG (1958); Hesse (2010, p. 133); Pooley and Solovey (2010).

¹² Vorlesung "Sozialökonomische Verhaltensforschung," 1962–63, Hoover Institution, Schmölders papers, Box-folder 70-22.

echoing the broader debates on scientific standards, testability, and falsification, Schmölders claimed to transform economics from its pre-scientific state into an empirical science. It should start with simple observations, systematize those in conceptual systems, and develop theories, from which empirically testable hypotheses could be deduced. Its data were observations of real-world phenomena, surveys, or experiments (Scherhorn 1961). Schmölders was careful to distinguish his research agenda from behaviorism but advocated a reductionist principle in order to understand human attitudes: “One has to reduce the investigation of attitudes to facts ... not asking for motives directly but determining patterns of behavior and opinions and deducing motives from them.”¹³ In line with the general research agenda of the behavioral sciences, Schmölders thus privileged the external observation of patterns of behavior expressed in the linguistic mode of the third person over first-person knowledge of intentions, motives, values, and feelings. Motives were important factors determining behavior, but they had to be deduced from actions and opinions because they could not be accessed by means of introspection. This was another point that left him at odds with ordoliberalists, who also emphasized the value of introspection.

Almost like a mantra, Schmölders repeated the truism that all economic behavior (*Wirtschaften*) was human behavior, while not all human behavior was economic in nature. As human beings did not behave fundamentally differently in the realm of the economy from any other area of life, Schmölders wanted to make use of all the “anthropological sciences,” namely, “psychology of the conscious and unconscious (including its behavioristic branches), biology and brain science, ... as well as sociology, history, social anthropology, linguistics, and comparative animal ethology and sociology” (Schmölders 1953, p. 205). Animal ethology offered a methodological inspiration for Schmölders’s approach to economic behavior, but he argued that it did not offer empirical guidance because animals did not engage in economic behavior. Following Arnold Gehlen’s conservative philosophical anthropology, Schmölders distinguished animals from human beings as the latter were not adapted to a specific environment but “open to the world.” Their motivational structure and character traits were more plastic and malleable. While lower animals were governed by their instincts, Schmölders thought that with increasing intelligence, behavior became more flexible. Yet, for him, human beings were open to the world only in principle; their “actual behavior” was “stabilized and specialized” by their interaction with the natural and social environment.¹⁴ In general, he distinguished between real decisions, which people make when encountering new situations, and secondary decisions when they follow well-established patterns of behavior that have long been institutionalized or habituated. Hence, language, law, companies, associations, and morals were the major institutions that had to be analyzed as factors that formed economic behavior.

Following traditions of the Historical School, Schmölders also thought that the natural environment influenced economic behavior. In the winter term of 1959–60, his students learned that the Mediterranean climate was a “natural barrier” to the proliferation of the Germanic race and that human mental and physical energy was

¹³ Vorlesung “Sozialökonomische Verhaltensforschung,” 1962–63, Hoover Institution, Schmölders papers, Box-folder 70-22.

¹⁴ Vorlesung “Sozialökonomische Verhaltensforschung,” 1962–63, Hoover Institution, Schmölders papers, Box-folder 70-22; Gehlen (1952, pp. 28–62).

highest between four and sixteen degrees Celsius. “Therefore,” Schmölders suggested, “civilization reached its maximum in the moderate climate zones ... and decreased in the direction of the poles (faster) and the equator (slower).”¹⁵ To Schmölders, even the behavior of chickens exhibited an influence by the climate, as the psychologist and active National Socialist Erich Rudolf Jaensch had allegedly shown. In the North, chickens were calmer and steadier in their general behavior as well as in the production of eggs. By contrast, the lighter southern chickens were hectic and easily distractable. Schmölders suggested that the same was true for human beings: “In the North calmness, equanimity, sobriety, doggedness, and indefatigability predominate, whereas the South is hot-blooded, easily agitable, and driven by instincts.”¹⁶ Juxtaposing Nordic cool rationality with southern fantasy and emotionality with reference to chickens may have been an extreme and even slightly ironic statement. Schmölders never repeated this in his writings, in which he explicitly rejected racialized theories of economic behavior (Schmölders 1964). Yet, time and again, he named ethology as an integral part of the transdisciplinary program to explain economic behavior.

In particular, Schmölders referred to Robert M. Yerkes’s experiments with chimpanzees to establish that certain traits of economic behavior were innate (Schmölders 1953, p. 221; 1978, p. 26). Working at Yale University in the 1930s and 1940s, Yerkes and his students had observed chimpanzees under laboratory conditions with the explicit aim of generating knowledge of human behavior (Yerkes 1945, p. 3). Trying to examine the apes’ capacities for symbolic thinking, Yerkes had devised an experiment in which they had to perform certain tasks. When they carried them out, the chimpanzees received plastic chips of different shapes and colors, which they could exchange for food at a specially designed vending machine, the so-called chimpomat (Yerkes 1945, pp. 170–180). As the monkeys tried to acquire the chips for the foods they liked best, and even hoarded chips, they seemed to exhibit economic behavior, which had commonly been considered exclusively human. While Schmölders referred to Yerkes’s experiments several times in crucial passages of his methodological writings, his knowledge of them seems to have been only second- or rather third-hand. All he does is to quote an article by Walter Taeuber on the psychology of money, which argued that a sense of money was prefigured in the animal world (Taeuber 1952–53, p. 21).

There is no evidence that Schmölders ever seriously engaged with animal ethology, yet assumptions concerning the animalistic nature of human beings form an important undercurrent in his writings. Politically conservative, he rejected an overestimation of reason and the idea that human beings could be fundamentally changed and bettered. Attacking the social-liberal reforms of the 1970s, Schmölders claimed that observations concerning the behavior and motivation of primates were helpful in understanding human behavior and designing policy instruments (Schmölders 1971, p. 15). In particular, he referred to the playwright and popular science writer Robert Ardrey, who had allegedly established that a “large part of human behavior was genetically predisposed” (Schmölders 1971, p. 14). In an international bestseller, Ardrey had maintained: “Our ancestry is firmly rooted in the animal world, and to its subtle, antique ways our hearts are

¹⁵ Vorlesung “Sozialökonomische Verhaltensforschung,” 1962–63, Hoover Institution, Schmölders papers, Box-folder 70-22.

¹⁶ Vorlesung “Sozialökonomische Verhaltensforschung,” 1962–63, Hoover Institution, Schmölders papers, Box-folder 70-22.

yet pledged. Children of all animal kind, we inherited many a social nicety as well as the predator's way" (Ardrey 1963, p. 9). Most significant, however, was the influence of a "race of terrestrial, flesh-eating killer apes," who had thrived on territorial dominance and whose traits could explain "man's bloody history, his eternal aggression, his irrational, self-destructing inexorable pursuit of death for death's sake" (Ardrey 1963, pp. 12, 31).

Ethology was so important to Schmölders that he even organized a symposium on the "Social Behavior of Animals and Human Beings" at the Mainz Academy of Sciences and Literature in the early 1970s.¹⁷ The conference was supposed to explore the importance of animal ethology for the understanding of human behavior in order to determine the viability of the positivistic paradigm for the social sciences, and thus echoed the motives of the behavioral revolution in the US. So far, Schmölders argued, sociology and economics had failed to become positivistic sciences because they could not distinguish among inherited, learned but unreflective, and reflective, i.e., rational, human behavior (Schmölders 1975). Comparing insights from social sciences with those from animal ethology seemed to be a promising strategy, since "man descended from the animal" and still exhibited animalistic behavior, while animal ethologists had succeeded in separating instinctive and learned behavior (Schmölders 1975, p. 9). At the symposium, thirteen distinguished German academics compared human and animal behavior with respect to needs and demands, the division of labor, and the social structures. While the conservative layout of the conference, justifying inequalities in human societies with reference to seemingly natural behavior, was apparent, the results were rather disappointing. Most contributors cautiously refrained from direct comparisons, speaking only about social phenomena, while others examined the separation of labor among bees or population density and "stress" among common treeshrews (Schmölders and Brinkmann 1975).

IV. BEHAVING ECONOMICALLY: *HOMO ECONOMICUS* AND DECISION-MAKING ORGANISMS

When Günter Schmölders was developing his theory and methodology of empirical socio-economics in the 1950s, economists on the other side of the Atlantic, above all those around the Cowles Commission and at the University of Michigan, were also seeking a reformulation of economics in behavioral terms (Heukelom 2014; Herfeld 2018). The empirical studies Schmölders conducted at the University of Cologne resembled George Katona's work on consumer behavior at the University of Michigan, where the term "behavioral economics" was first used (Gilad, Kaish, and Loeb 1988). Throughout his career, Schmölders tried to establish academic contact with Katona, who reviewed his work favorably though in a slightly condescending way.¹⁸ Schmölders had no contact with Herbert A. Simon, the godfather of behavioral economics who coined the notion of "bounded rationality." Neither did he reach out to Daniel Kahneman or Amos Tversky, after they had sparked the rise of behavioral economics as an economic

¹⁷ Hoover Institution, Schmölders papers, Box-folder 96-21.

¹⁸ Katona (1957 and 1964); Hoover Institution, Schmölders papers, Box-folders 16-6, 113-5, 130-8.

subdiscipline in the 1970s, or any of their followers later in his career (Heukelom 2012). This is not surprising, as Schmolders criticized the mathematization and formalization of economics, which they fostered. Unlike Sauer mann, he did not pursue an experimental approach but mostly conducted large-scale surveys.

Schmolders's idiosyncratic version of behavioral economics derived only partly from a critique of neoclassical economics. Rather, he reformulated older assumptions that had been entertained in the historical and institutional schools of economic thought, maintaining that economic processes had to be understood from the perspective of people's actual behavior in concrete historical circumstances. In particular, his theoretical approach was informed by his own empirical studies on alcoholism and taxation. For Schmolders, the failure of prohibition had clearly established that it was necessary to examine the principles of human behavior in order to design economic policies. Despite their different intellectual origins, political orientations, and methodologies, Schmolders's approach to economic behavior shared at least four crucial elements with the behavioral reorientation of economics in general: criticism of *homo economicus*, the call for an inter- or transdisciplinary analysis of observable behavior under real-world or laboratory conditions, the understanding of human beings as decision-making organisms, and a theoretical splitting of people into two often antagonistic parts. Sharing these views, however, Schmolders drew different conclusions concerning the scope and limits of state intervention than behavioral economists generally do today.

1. *Homo economicus and its discontents*: The criticism that neoclassical economists carry out abstract calculations based on the assumption of an idealized *homo economicus* whose capacities do not resemble those of actual human beings in real-world environments forms a cornerstone of the development of behavioral economics. According to Richard Thaler and Sendhil Mullainathan, "the standard economic model of human behavior includes (at least) three unrealistic traits: unbounded rationality, unbounded willpower, and unbounded selfishness" (Mullainathan and Thaler 2001). In line with the view of the Historical School, however, Günter Schmolders had always argued that "*homo economicus*" was a fiction. Like contemporary and later behavioral economists, he wanted to overcome its construction by conducting empirical research on actual economic behavior (Schmolders 1972).

Schmolders's fundamental rejection of neoclassical economics as it was commonly practiced resembled the more systematic and more influential Herbert A. Simon. Simon was a polymath contributing to various disciplines, but, as Esther-Mirjam Sent and Floris Heukelom have argued, the sweeping character of his criticism of neoclassical economics was largely responsible for the initially only limited reception of "bounded rationality" among academic economists (Sent 2004; Heukelom 2012; Pooley and Solovey 2010). Economists took up the concept of "bounded rationality" only later, after Daniel Kahneman and Amos Tversky developed their "heuristics and biases" approach in the 1970s (Tversky and Kahneman 1974; Klaes and Sent 2005). Despite coming from the field of psychology, they were received more favorably by economists because they did not confront them head-on. Rather, they argued that the economists' theory of expected utility maximization was a normative theory, which could and had to be supplemented by the description of actually observable human behavior (Heukelom 2012, p. 817). Thus, there was no need to abandon the theory altogether; they only shifted attention to the aspects of economic behavior that neoclassical theories could not explain (Thaler 2015).

The differences between neoclassical and behavioral assumptions concerning the underlying conceptions of human rationality, however, should not be exaggerated. Neoclassical economists did not think that human beings actually were fully rational, self-transparent utility maximizers with a well-ordered set of preferences but only maintained that this assumption could yield adequate predictions of aggregate behavior. Moreover, they thought that their calculations could provide “a technique of rational action” (Robbins 1932, p. 140). Neoclassical and behavioral economists, thus, shared a “scientific distrust of the ability of the masses to reason,” which led many to endorse technocratic fantasies (Mirowski 2018; Amadae 2003; Heyck 2012). In general, they pursued a common goal: to reduce irrationality and improve processes of economic decision-making. This was also Schmölders’s aim. Describing and predicting people’s irrationality and their behavioral habits, he wanted to improve systems of taxation and economic policy-making.

2. *Theorizing observable behavior*: While their goal was arguably the same, Schmölders and other behavioral economists developed a methodology that differed fundamentally from the neoclassical mainstream. They wanted to examine the actual economic behavior of human beings in concrete situations. In their attempt to determine the laws that governed human behavior, they followed the model of the natural sciences. Partaking in the behavioral revolution in the social sciences in the mid-twentieth century, Schmölders, Simon, and others claimed that they started with empirically observable behavior, which they systematized and theorized in order to arrive at testable hypotheses.¹⁹ While distinguishing this approach from classical behaviorism, behavioral economists, generally, shared the behaviorist goal to predict and control human behavior, once its invariant features and its relation to environmental factors had been determined (Berelson 1968; Pooley 2016). In order to achieve this aim, they advocated interdisciplinary approaches, calling for the integration of knowledge from the biological and the social sciences as well as psychology. Yet, interdisciplinarity came in different flavors. In Schmölders’s academic education, disciplinary boundaries between economics, social sciences, the law, and psychology were much more permeable than they were later. Thus, he was more willing to integrate findings from other disciplines into economic arguments. The simultaneous behavioral sciences project was also pluralist, suggesting that different disciplines contributed their particular perspectives to the common project to understand human behavior (Berelson 1968; Pooley 2016). By contrast, other behavioral economists strove for a comprehensive behavioral science in the singular, trying—as Simon put it—to develop a “consistent body of theory of the rational and nonrational aspects of human behavior in a social setting,” introducing a hegemonic perspective and paying only lip service to interdisciplinarity (Simon 1957, p. vii).

Following the example of animal ethologists in claiming to derive knowledge not from theoretical assumptions but from the value-free notation of empirically observable facts, behavioral economists tried to reach a new level of scientific rigor for their discipline (Simon 1959). Their approach, however, was not free from assumptions. Above all, they privileged knowledge derived from the external observation of a third person to introspection in the mode of the first person. As Schmölders explained to his students, economists could not access the motives or reasons for actions directly but only

¹⁹ Simon formulates this paradigmatically already in Simon 1976 [first edition 1947].

infer them from actual behavior and reported opinions. In general, the approach to “decision-making behavior,” as Simon and others put it, does not ask for the reasons that actors may have entertained individually but for causes that can be observed statistically. Moreover, the approach is analytic, focusing on decisions as the basic unit for the explanation of social and economic phenomena (Mirowski 2018; Edwards 1954).

3. *Decision-making organisms*: At first sight, Schmölders’s references to Robert Yerkes’s chimpanzees and animal ethologists like Konrad Lorenz and Robert Ardrey may seem like an oddity of his behavioral approach to economics. A closer examination, however, exhibits that Schmölders participated in a larger movement to naturalize the social sciences, overcoming the “human exceptionalism paradigm” by understanding human beings as living creatures in their natural environment (Catton Jr. and Dunlap 1978). Behavioral economists want to explain human behavior by referring to mechanisms that are not exclusively human. As Simon put it, the goal was to develop a theory of the “kind of rational behavior that is compatible with the access to information and the computational capacities that are actually possessed by organisms, including man, in the kinds of environments in which they exist” (Simon 1955, p. 114). He wanted to replace “economic man” with “a choosing organism of limited knowledge and ability” (Simon 1955, p. 114). As “homo sapiens” shared “some important psychological invariants with certain nonbiological systems,” Simon was looking for principles of behavior that could be found in both humans and animals as well as construed in machines (Simon 1990, p. 3). Daniel Kahneman and Amos Tversky also emphasized the broad theoretical scope of behavioral economics. Analyzing the heuristics and biases of decision-making processes, they maintained that “the making of decisions is perhaps the most fundamental activity that characterizes living creatures” (Kahneman and Tversky 2000).

Since the 1940s, there has been a cross-fertilization between animal ethology and behavioral approaches in the social sciences. On the one hand, ethologists have speculated on the consequences of their findings for social systems in order to direct attention to their discipline and emphasize its importance. In postwar Germany, for example, Konrad Lorenz explained the “eight deadly sins of civilized humanity” in terms of human beings’ basic instincts, which had gone astray as natural checks and balances had been abolished (Lorenz 1973). More recently and with a narrower scope, Sarah F. Brosnan and Frans de Waal have tried to direct attention to their experiments with capuchin monkeys, describing them in economic terms as monkeys that “reject unequal pay” (Brosnan and de Waal 2003). On the other hand, economists considered animal ethology a source of methodological inspiration. As Herbert Simon wrote to Ward Edwards in 1954, he was looking for “models of rational choice that provide a less God-like and more rat-like picture of the chooser” (Heyck 2012, p. 99). Referring to experiments with animals was an attempt to renegotiate the “boundaries between the natural and the social” and often used to enlarge the scope of economics as a discipline (McDonough 2003, p. 402). While most of the references to animal ethology were only declaratory or resulted in simple analogies without any explanatory value, they were more instructive in theories of intertemporal choice. George Loewenstein, for example, referred to Thomas J. Cottle and Stephen L. Klineberg’s evolutionary interpretation of how the human capacity to imagine different states of the future emerged, which drew on experiments with primates (Loewenstein 1992; Cottle and Klineberg 1974). For Robert Frank, experiments with pigeons, rats, cats, dogs, guinea pigs, and hogs had shown that these animals had varying capacities to postpone satisfaction in exchange for receiving larger amounts of food and, thus,

established that “the matching law is apparently part of the hard wiring of most animals’ [including humans’] nervous systems” (Frank 1992, p. 279). Moreover, George Loewenstein argued that “visceral factors,” which could be observed in many animals in natural and experimental environments, played an important role for the behavior of human beings as well (Loewenstein 1996). In his view, there was strong evidence that visceral factors influenced behavior directly but only limited evidence that behavior was the consequence of deliberative processes (Loewenstein 1996, p. 276).

4. *Split personalities*: Considering the general tendency in behavioral economics to conceptualize human beings as decision-making organisms, Schmölders’s repeated references to animal ethologists appear less odd. While naturalizing the behavior of human beings and interpreting it by means of methods also applied to other organisms, Schmölders still saw the need to account for the specificity of human behavior.²⁰ This was also true of many behavioral economists who, as a result, divided human beings into two or more parts, separating their animalistic from their more rational behavior. Trying to explain self-control, for example, Richard Thaler suggests to model humans “as an organization with a planner and many doers. Conflict occurs because the doers are myopic (i.e., selfish)” (Thaler and Shefrin 1981, p. 404). Similarly, Daniel Kahneman introduces “two systems in the mind”: “*System 1* operates automatically and quickly, with little or no effort and no sense of voluntary control. *System 2* allocates attention to the effortful mental activities that demand it, including complex computations” (Kahneman 2011, pp. 20–21). The idea that human beings can—to a certain extent—switch between different “cognitive gears” is essentially the same as Günter Schmölders’s distinction between “real decisions in new situations” and “secondary decisions” when people perform habitualized and institutionalized behavior (Louis and Sutton 1991).

Reflecting on the hierarchy between the animalistic and the rational parts of human beings, behavioral economists tend to prioritize the former over the latter. For Schmölders, the rationality principle was only the “steering wheel,” while the real drivers of human behavior stemmed from the “primitive person,” the “deep person,” or the “palaencephalon person” (Schmölders 1978, p. 26). Again, this bears a striking resemblance to the image of human beings developed by Reinhard Selten, a student of Sauermann’s and later winner of the Nobel Memorial Award. Reflecting on the boundedness of human rationality, Selten explained in 1990 that “presumably our motivational system is inherited from our animal ancestors. The power of imagination and reasoning is a later addition to our biological heritage. ... This means that rationality is in the service of a rather unsophisticated higher authority” (Selten 1990, p. 653). Or, as he put it more bluntly: “The conscious mind is like an adviser to a king. The king is a hidden mechanism, inaccessible to introspection, which makes the final decision. The king may or may not listen to the advice given to him. Decisions are not made by the conscious mind. They emerge from inaccessible parts of the brain” (Selten 1990, p. 652). If that is the case, however, introspection is not a privileged and perhaps not even a meaningful source of information for the explanation of behavior. There is no first-person authority to explain one’s own mind and offer reasons for one’s actions because introspective

²⁰ According to one of his students, the whole point of comparing humans and animals was to overcome the “animalism” that had become dominant since the Enlightenment by determining the specifically human traits (Scherhorn 1959).

knowledge can at best be partial. Full explanations of behavior demand a natural and social science perspective focusing on observable cognitive processes or patterns of behavior.²¹

V. CONCLUSION

As an ambitious student in his mid-twenties, coming from a bourgeois family and having internalized the culture of the German *Bildungsbürgertum*, Günter Schmolders observed that people could not control their drinking habits. His international experience told him that alcohol consumption was governed by other factors apart from the rational decision to drink a certain beverage. Apparently, even state measures to curb alcohol consumption were of little avail and could not change what he considered to be deep-rooted behavioral patterns. Believing in the cultural boundedness of economic activity and adhering to the demand that economics should offer policy advice, both central tenets of the Historical School whose influence was waning but still considerable, Schmolders generalized these insights in his further work on taxation. Throughout his life as an economist and public intellectual under three different political systems, Schmolders developed the view that economic policies had to be based on a thorough understanding of the fundamental principles of human behavior as well as an appreciation of its regional, ethnic, or social differences. Where behavioral knowledge today is often supposed to serve as a means to increase state intervention in various fields of life, however, the politically conservative Schmolders used it instead as a means to curb and circumscribe state agency (Sunstein 2017; Straßheim and Beck 2019; Graf 2020).

At the University of Cologne, Schmolders developed a curriculum and founded a research center focusing on the study of economic behavior in order to provide a microeconomic basis for economic policy-making. Naming his theory and methodology “economic behavioral research,” “anthropological economics,” or—in the tradition of his academic teachers—“empirical socio-economics,” he restlessly searched for intellectual allies or rather adherents. Yet, in the decades after the war, when Keynesianism became dominant and neoclassical economics acquired hegemony at German universities as well, Schmolders did not succeed. Ordoliberal and neoclassical economists rejected his interdisciplinary approach because it seemed to endanger their professional identity. Despite being a prolific public intellectual and educating numerous students, Schmolders failed to establish empirical socio-economics as a major academic field. While his institute continued to exist, conducting studies on taxation psychology and the economic transformation after 1990, later German behavioral economists were more influenced by Anglo-American debates or by the work of Heinz Sauer mann and Reinhard Selten, who translated them into the German context (Ockenfels and Sadrieh 2010). Despite its idiosyncratic roots in the traditions of the Historical School, however, Schmolders’s version of behavioral economics shared several crucial features with its better-known counterparts in the anglophone world.

Schmolders and other behavioral economists deny the human exceptionalism paradigm that pervaded many earlier social theories and also fueled the idea of *homo*

²¹ For a broader argument in this direction with a particular focus on brain sciences, see Ehrenberg (2019).

economicus. Understanding human beings as just one version of decision-making organisms, its protagonists try to align economics to the ideal of the natural sciences. Seeking interdisciplinary exchange, though to different extents, they try to determine general principles of behavior in order to explain and predict human decision-making. Despite its claim to neutrality and objectivity, taking simple observable patterns of behavior as its starting point, this behavioral approach is not neutral. It generally renounces introspection and hermeneutics, privileging third-person observation above the introspective knowledge of the first person. As a result, the rise of behavioral economics was part of a more general trend to replace concepts of action asking for reasons with behavioral terminology asking for causes. This trend was much broader than the rise and demise of behaviorism or the behavioral sciences label, which were both part of a more fundamental shift away from the inner after 1945 that continues to inform policy-making until today.

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